




STATE OF DELAWARE

PUBLIC SERVICE COMMISSION
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DOVER, DELAWARE 19904

MEMORANDUM

TO: The Chairman and Members of the Commission

FROM: Lisa B. Driggins, Public Utilities Analyst 

DATE: • March 4, 2020

SUBJECT: IN THE MATTER OF THE APPLICATION OF ARTESIAN WATER COMPANY, INC. AND THE TOWN OF FRANKFORD FOR APPROVAL OF AN ASSET PURCHASE AGREEMENT PURSUANT TO 26 DEL. C. §215.
(FILED FEBRUARY 27, 2020) – DOCKET NO. 20-0162

Background:

The Town of Frankford ("Frankford") has expressed an interest in no longer being a municipal water utility.

Application:

On February 27, 2020, Artesian Water Company, Inc. ("Artesian"), and Frankford (together, the "Applicants") filed an application (the "Application") seeking approval by the Delaware Public Service Commission ("Commission") to participate in a transaction whereby Artesian will acquire all of the rights, title and interest in the water assets of Frankford including the right to provide water service to Frankford's existing customers. Artesian's purchase of Frankford's aforesaid water assets will be pursuant to the terms and conditions of an Asset Purchase Agreement (the "Agreement") dated February 27, 2020.

Applicants:

Artesian Water Company, Inc.

Artesian is a wholly owned subsidiary of Artesian Resources Corporation. Artesian is a Delaware Corporation providing water service to customers pursuant to rates set on January 31,

2019, in PSC Docket No. 17-1240, Order No. 9317. In addition, Artesian serves 87,900 metered, mostly residential customers across the state of Delaware.

Town of Frankford

The Town of Frankford is a municipal water utility that provides water service within its corporate limits and to certain customers outside its corporate limits. Frankford is located in the southeastern part of Sussex County, along the U.S. Route 13 corridor. As of January 31, 2020, Frankford was serving approximately 362 metered, mostly residential customers located on approximately 323 Sussex County tax parcels.

Transaction:

Pursuant to an Asset Purchase Agreement dated February 27, 2020, between Artesian and Frankford, Artesian intends to obtain water utility assets and the rights to provide water service to the customers served by those assets from Frankford will acquire approximately 362 customers or 323 parcels from Frankford. The assets to be transferred are as follows:

- a) All wells, supplies facilities, water treatment facilities, water service related equipment, water transmission and distribution mains, lines and conduits, hydrants, services, meters and related appurtenances from the mains to the meter pit at each service location; and
- b) Two (2) tax parcels upon which Frankford's water treatment and storage facilities are constructed; and
- c) All instruments, documents, contracts, agreements, arrangements, commitments, bids, leases, licenses and any other contract right of Frankford relating to the municipal water utility; and
- d) All rights to access or use any real property or fixtures (including by lease, license, or easement) directly or indirectly used in the connection with the municipal water utility and/or water plant; and
- e) All approvals, consents, licenses, permits, waivers, certificates of public convenience and necessity, or other authorizations issued, granted, given, applied for or otherwise made available by or under the authority of any governmental authority for the ownership or operation of the municipal utility and/or water plant.

Public Interest:

The Applicants asserts that the public interest will be served and that the agreement is in accordance with the law and is for a proper purpose. According to the Applicants, Frankford has expressed an interest in no longer being a municipal water utility. It is in the public interest to have an experienced public water utility assume the responsibility for the service territory currently served by Frankford. In addition, the Agreement will not impair the ability of Artesian to provide

water service to their customers. Furthermore, shortly after closing, Artesian will send notification letters explaining the change in water service provider and how it will affect customers. The Applicants have agreed to maintain Frankford's current rate structure until such time as Artesian connects its regional system to Frankford's system. Promptly upon interconnecting, Artesian will seek Commission approval to convert Frankford's water rates to Artesian's Commission approved tariffed rates. Artesian anticipates the water systems will be integrated within the next year. Finally, the cost to integrate the systems will be paid by Artesian. Staff believes this acquisition is in the public interest.

Staff's Recommendation:

Applications seeking an asset transfer approval come under the provisions of 26 *Del. C.* §215 because the companies are public utilities. In addition, Staff believes this acquisition is in accordance with law, is for a proper purpose and is in the public interest. Furthermore, this transaction does not approve or authorize any particular ratemaking treatment of the acquisition price or the assets acquired. The Commission will determine the appropriate ratemaking treatment of the acquisition price and the assets acquired in Artesian's next base rate case. Finally, Staff will also acquire verification from the Applicant that the proposed financing arrangements have been completed.

